

Altro Limited

Annual report and financial statements for the year ended 31 December 2014

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Company Registration No: 00154159

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Strategic report

for the year ended 31 December 2014

Principal activities and review of the business

Altro Limited is a wholly owned subsidiary of The Altro Group plc. Its balance sheet is disclosed on page 10 and the profit attributable to its shareholders is disclosed in note 20 on page 21.

The principal activities of the business are the manufacture and marketing of:

Altro safety flooring
Altro Whiterock wall and ceiling systems
Altro resin systems
Autoglym vehicle care and Kanor car wash products.

During the year, the Company has worked to increase its market presence and market share in the UK and internationally for the Altro and Autoglym product ranges. All areas of the business have contributed to the result for the year and are well placed to build on this position during 2015.

Financial review

The profit and loss account for the year is set out on page 8.

The profit includes an exceptional item of £4.7m (2013: nil) in relation to the closure of the Altro Pension & Life Assurance Scheme. This figure represents the decrease in the cost of the Scheme over the remainder of its lifetime as existing members of the scheme are no longer able to build up entitlement. The Company is required to account for the decrease in the future liabilities of the Scheme in the year of closure.

The Company's net assets as at 31 December 2014 were £31.9m (2013: £24.3m)

Key performance indicators

Turnover of £99.7m represents an increase of 7.6% on the year to 31 December 2013. Operating profit (before exceptional item) was £12.0m, an increase of 41.8% on the previous year. The directors have authorised and paid a dividend of £27.71 (2013: £22.17) per share, totalling £5.0m (2013: £4.0m). The directors expect the Company to maintain profitability for the foreseeable future.

The performance against KPIs is considered satisfactory given the overall economic environment in our markets.

Expenditure during the year has included investment in plant and machinery as well as additional contributions of £1.75m to the Defined Benefit Pension Scheme.

Such expenditure is a clear example of our policy of investing for the future.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and the Company has procedures and systems to manage these.

The key business risks affecting the Company are considered to relate to competition from other manufacturers, increased raw material and energy costs, regulatory changes, fluctuations in the UK and global economy and any action which may be taken by governments in our major markets to address their budget deficits.

The board takes action where possible to eliminate, reduce or mitigate specific risks through the adoption of appropriate strategies.

Financial risk management

The Company's operations expose it to a variety of financial risks, including the effects of changes in currency exchange rates, credit exposure, liquidity and interest rates.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Strategic report continued

for the year ended 31 December 2014

The main risks arising from the Company's financial management can be analysed as follows:

Currency risk

The Company is exposed in its trading operations to the risk of fluctuations in currency exchange rates. Where appropriate, forward contracts and swaps are used to hedge this exposure.

Credit risk

The Company's principal financial assets are bank balances, stock and trade debtors which represent the Company's maximum exposure to credit risk in relation to financial assets. Risk is managed through internal monitoring processes and credit insurance, both of which have been given greater focus because of difficult trading conditions.

Price risk

The Company is exposed to price risk on raw materials as a result of its operations and such exposure is monitored closely and reported on regularly. In the majority of cases, dual supply arrangements are in place.

Liquidity risk

The Company has positive cash balances with various banks and appropriate overdraft facilities in place where considered necessary.

Interest rate risk

The Company has very limited exposure to interest rate risk as borrowings are not significant. However, there is an exposure to the impact of longer term rate movements in the Defined Benefit Pension Scheme, which is managed by the trustees of the Scheme and their advisers.

Approved by the Board of Directors and signed on behalf of the Board.



E P Boyle

Secretary

30 July 2015

Directors' report

for the year ended 31 December 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

D J Kahn	<i>Chairman</i>
E P Boyle	
P L Caller	
M P Fincham *	
R J Kahn	<i>Managing Director</i>
J F H Park *	
* Non-executive	

Secretary

E P Boyle FCCA

Employees

The Company operates non-discriminatory employment policies which are designed to attract, retain and motivate the very best people, recognising that this can only be achieved through offering equal opportunities regardless of age, disability, gender, race, religion, colour, nationality, marital status or sexual orientation.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate facilities are available and training is arranged.

It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Staff are encouraged to plan their careers within the Company and to participate in appropriate ongoing training, consistent with the needs of the business.

All divisions develop their own internal communications and employees receive regular updates on the Company's strategies, policies and results.

The Group has taken appropriate steps during the financial year to introduce, maintain or develop arrangements aimed at consulting employees or their representatives on a regular basis so that views of employees can be taken into account in making decisions that are likely to affect their interests.

Our success is due to the teamwork and co-operation of the people within the Company. The directors thank all those who have worked so hard and contributed so much to achieve these results during a demanding time.

The Company continues to develop and maintain a culture which encourages long service and we are proud that so many employees choose to remain with us over many years.

Health & Safety and the environment

Health & Safety and environmental performance remain key business objectives.

Our Manufacturing and Sustainability efforts are centred on making proactive, tangible improvements, which translate into real benefits for the environment and savings for the business.

Research and development

Research and development remains at the forefront of our vision for the future and our strength and depth in this area are essential parts of our business. All research and development expenditure is charged to the profit and loss account as incurred.

Directors' report continued

for the year ended 31 December 2014

Pension schemes

The future of our pension schemes is underpinned by the knowledge that a strong and successful Company should ensure that pension obligations can be met today and in the future.

The Defined Benefit Pension Scheme was closed to future accrual on 31 March 2014. All members became deferred members and the link to final salary was broken.

During the year the Company continued to make a special contribution of £1.75m to the Scheme in line with the triennial funding plan agreed with the Pension Trustees in 2011.

Many employees who were previously members of the Defined Benefit Pension Scheme have chosen to become members of a Defined Contribution Scheme.

Payments to suppliers

The Company does not follow any published code or standard on payment practice for suppliers of goods and services. However, in respect of regular suppliers, our policy is generally to establish agreed payment terms which apply to recurring transactions, subject to review as appropriate. For occasional suppliers, the policy is to pay in accordance with the prevailing practice for the particular industry or market concerned, subject to any specific agreement.

The Company's creditor days were 36 at 31 December 2014 (2013: 33).

Charitable and political donations

The Company contributed £6,914 (2013: £10,671) for charitable purposes. There were no political contributions.

Going concern

In arriving at their decision to prepare these financial statements on the going concern basis, the directors have reviewed the Company's budget, forecasts and cash flow projections for 2015 and 2016 (including proposed capital expenditure) and compared these with the Company's cash holdings, its committed borrowing facilities and projected gearing ratios.

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and so continue to adopt the going concern basis.

Directors' liability insurance

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The Company also purchased Directors' and Officers' liability insurance in respect of itself and its directors.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report continued

for the year ended 31 December 2014

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each director in office at the date of the Directors' report confirms the following:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue as auditors, and the members have resolved to re-appoint them.

Approved by the Board of Directors and signed on behalf of the Board.



E P Boyle
Secretary
30 July 2015

Independent auditors' report to the members of Altro Limited for the year ended 31 December 2014

Report on the financial statements

Our opinion

In our opinion, Altro Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Altro Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Altro Limited continued for the year ended 31 December 2014

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
30 July 2015

Profit and loss account

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	99,740	92,690
Cost of sales		(50,074)	(48,443)
Gross profit		49,666	44,247
Net operating expenses	5	(37,686)	(35,800)
Pension curtailment gain - exceptional item		4,652	-
Operating profit		16,632	8,447
Income from shares in group undertakings		426	2,233
Profit on ordinary activities before interest and taxation		17,058	10,680
Interest receivable and similar income	6	771	272
Interest payable and similar charges	6	(138)	(143)
Profit on ordinary activities before taxation	7	17,691	10,809
Tax on profit on ordinary activities	10	(3,746)	(2,260)
Profit for the financial year		13,945	8,549

All the above results derive from continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

Statement of total recognised gains and losses

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		13,945	8,549
Actuarial loss on net Defined Benefit Pension Scheme assets	21	(2,377)	(7,619)
Deferred tax on actuarial loss		475	1,524
Total recognised gains and losses relating to the year		12,043	2,454

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2014


	Note	2014 £'000	2013 £'000
Total recognised gains and losses relating to the year		12,043	2,454
Dividends paid	9	(5,000)	(4,000)
		7,043	(1,546)
Parent company capital contribution from share-based payment		540	332
Opening shareholders' funds		24,318	25,532
Closing shareholders' funds		31,901	24,318

Balance sheet

at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	11	955	1,098
Tangible assets	12	12,492	14,431
Investments	13	5,522	5,514
		18,969	21,043
Current assets			
Stock	14	11,726	11,787
Debtors	15	18,404	15,367
Cash at bank and in hand		5,443	1,387
		35,573	28,541
Creditors: amounts falling due within one year	16	(10,884)	(9,931)
Net current assets		24,689	18,610
Total assets less current liabilities		43,658	39,653
Creditors: amounts falling due after more than one year	17	(2,382)	(2,261)
Provisions for liabilities	18	(553)	(520)
Net assets excluding Defined Benefit Pension Scheme liability		40,723	36,872
Defined Benefit Pension Scheme liability	21	(8,822)	(12,554)
Net Assets including Defined Benefit Pension Scheme liability		31,901	24,318
Capital and reserves			
Called up share capital	19	180	180
Share premium account	20	46	46
Profit and loss account	20	31,675	24,092
Total shareholders' funds		31,901	24,318

The financial statements on pages 8 to 29 were approved by the Board of Directors on 30 July 2015 and signed on its behalf by:



R J Kahn
Managing Director
Altro Limited

Notes to the financial statements

for the year ended 31 December 2014

1. Accounting policies

(a) Basis of accounting

These financial statements have been prepared under the provisions of the Large- and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards in the United Kingdom. The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(b) Goodwill and intangible assets

Goodwill, being the difference between the cost of businesses acquired and the fair value of their separable net assets, is included in the balance sheet in accordance with FRS 10: Goodwill and Intangible Assets. Purchases of intangible fixed assets are included in the balance sheet at cost less accumulated amortisation. Goodwill and intangible fixed assets are amortised in equal instalments over their estimated useful economic lives, up to a maximum of twenty years.

(c) Tangible assets and depreciation

The cost of tangible assets is their purchase cost, together with any related incidental costs of acquisition. Depreciation is provided evenly on the cost of tangible assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on assets under construction.

The rates of depreciation used are as follows:

- Land and buildings short leasehold - 5% or term of the lease if under twenty years
- Plant, equipment and vehicles - 10% to 50% according to the type of asset

Where there is evidence of impairment, fixed assets are written down to the recoverable amount.

(d) Deferred tax

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and tax purposes.

In accordance with FRS 19: Deferred Tax, deferred tax is not provided on timing differences arising from:

- revaluation gains on land and buildings, unless there is a binding agreement to sell them at a balance sheet date;
- gains on the sale of non-monetary assets, where on the basis of all available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets;
- extra tax payable on the unremitted earnings of the overseas subsidiaries and associates where there is no commitment to remit these earnings;
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. Where law or accounting standards require gains and losses to be recognised in the Statement of total recognised gains and losses (STRGL), the related deferred tax is also taken directly to the STRGL.

(e) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at either:

- the rate ruling at the date of the transactions; or
- the contracted rate if the transactions are covered by a forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date, or if appropriate at the forward contract or option rate. These translation differences are dealt with in the profit and loss account. The fair value of forward exchange contracts as at 31 December 2014 was a loss of £132,429 (2013: gain of £323,460). The Company also uses currency swaps to hedge against foreign exchange risk. The market value of these instruments as at 31 December 2014 was nil (2013: loss of £43,858).

(f) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents all direct costs incurred in bringing stocks to their present state and location, including an appropriate proportion of manufacturing overheads. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Notes to the financial statements

for the year ended 31 December 2014

1. Accounting policies (continued)

(g) Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

(h) Pension costs

The Company operates a Defined Benefit Pension Scheme (DB Scheme), closed to new members in 2005 and to future accrual in 2014, the costs of which are assessed in accordance with the advice of an independent qualified actuary.

Pension costs for the DB Scheme have been accounted for in accordance with FRS 17: Retirement Benefits. The assets of the DB Scheme are measured at current bid price, and the liabilities using a projected unit method and discounted at a high quality corporate bond rate.

The DB Scheme asset or liability is recognised in full on the balance sheet, net of the effects of deferred tax. The cost charged to operating profit is the current and past service cost of the DB Scheme. The interest costs and expected return on DB Scheme assets are included in net interest income. Actuarial gains or losses as a result of the actual return on assets differing from the expected return are recognised in the Statement of total recognised gains and losses.

The Company also operates a number of Defined Contribution Pension Schemes (DC Schemes). The pension costs for the DC Schemes represent contributions payable by the Company in the year.

(i) Investments

Investments held as fixed assets are stated in the balance sheet at cost less provision for impairment in value.

(j) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

(k) Cash flow statement

The Company has taken advantage of the exemption in FRS 1 (Revised 1996): Cash Flow Statements not to produce a cash flow statement. The Company is a wholly owned subsidiary of The Altro Group plc, a Company incorporated in the UK, and its results are included in the consolidated financial statements of The Altro Group plc, which are publicly available.

(l) Share-based payment

The Company's ultimate parent company, The Altro Group plc, issues share options to certain employees. The fair value of equity-settled share-based payments is measured at the date of the grant. The fair value of cash-settled share-based payments is remeasured at the end of each year. The charge, based on fair value and the parent company's estimation of shares that will eventually vest, is expensed on a straight-line basis over the vesting period.

The calculation of the fair value of the share options by the parent company has been based on the Black-Scholes valuation model, using a number of subjective assumptions, the most significant of which is that the expected volatility of the parent company's share valuation will be 50%.

The Altro Group plc operates a Share Incentive Plan (SIP) on which it is required to recognise a compensation charge under FRS 20: Share-based Payment, calculated as detailed above.

Employer's National Insurance contributions arise on the exercise of certain share options. In accordance with UITF 25: National Insurance Contributions on Share Option Gains, provision has been made by the parent company, The Altro Group plc, based on the difference between the market price of the parent company's shares at the balance sheet date and the option exercise price, spread pro-rata over the vesting period of the options. The liability for the UITF 25 charge has been transferred to Altro Limited via an intercompany recharge from The Altro Group plc.

(m) Turnover

The Company follows the principles of Application Note G: Revenue Recognition of FRS 5: Reporting the Substance of Transactions, in determining appropriate revenue recognition policies. In principle therefore, revenue is recognised to the extent that the Company has obtained the right to consideration through its performance.

Turnover (excluding value added tax) comprises the value of sales of goods after deducting certain sales incentives.

(n) Provisions

Provisions principally comprise management's best estimate of costs required to make good for repair works on floors laid, and anticipated costs to make good on modifications at leased premises. Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated, and are undiscounted.

Notes to the financial statements

for the year ended 31 December 2014

2 Turnover

Turnover represents the invoiced value of goods sold to external customers and completed contracts, excluding value added tax. Turnover by geographical area was:

	2014		2013	
	£'000	%	£'000	%
Territory				
United Kingdom	68,509	69	63,100	68
Continental Europe	15,598	16	13,745	15
The Americas	9,050	9	9,143	10
Australia and Asia Pacific	4,935	5	4,930	5
Rest of world	1,648	1	1,772	2
	99,740	100	92,690	100

The directors have elected not to show an analysis of turnover, profit before tax or net assets by activity, as in their opinion it would be prejudicial to the interests of the Company. An analysis of profit and net assets by geographical area has been omitted for the same reason.

3 Employees

The average monthly number of employees by activity, including directors, during the year was:

	2014 Number	2013 Number
Manufacturing	141	150
Sales and marketing	161	170
Warehouse and distribution	58	64
Administration and management	107	117
	467	501

Employee costs, including directors, during the year were:

	2014 £'000	2013 £'000
Wages and salaries	17,355	17,590
Social security costs	1,919	1,819
Other pension costs	2,664	2,113
Employee share schemes (note 22)	575	321
Other staff benefits	435	412
	22,948	22,255

Notes to the financial statements

for the year ended 31 December 2014

4 Directors' remuneration

	2014	2013
	£	£
Aggregate emoluments	1,286,878	1,326,463
Defined Benefit Pension Scheme contributions	8,953	54,570
Defined Contribution Pension Scheme contributions	186,013	186,013
	1,481,844	1,567,046

Retirement benefits are accruing to one director (2013: one) under the DB Scheme at 31 December 2014. Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (2013: one) in the year ended 31 December 2014.

	2014	2013
	£	£
Highest paid director:		
Aggregate emoluments	581,907	548,705
Defined Contribution Pension Scheme contributions	186,013	186,013
	767,920	734,718

The amount of the accrued pension in the DB Scheme of the highest paid director at 31 December 2014 is £132,043 (2013: £132,043). No share options (2013: none) and no Phantom share options (2013: none) were exercised by the highest paid director in the year.

5 Net Operating Expenses

	2014	2013
	£'000	£'000
Distribution costs	17,534	18,257
Administrative expenses	20,152	17,543
	37,686	35,800

6 Interest receivable and payable

	2014	2013
	£'000	£'000
Interest receivable and similar income:		
short term deposits	2	1
other	47	63
finance income on DB Scheme (note 21)	722	208
Interest receivable and similar income	771	272
Interest payable and similar charges:		
bank overdrafts	(15)	(41)
loans from subsidiary companies	(123)	(102)
finance charge on DB Scheme (note 21)	-	-
Interest payable and similar charges	(138)	(143)

Notes to the financial statements

for the year ended 31 December 2014

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is arrived at after charging / (crediting):

	2014	2013
	£'000	£'000
Depreciation of tangible assets	3,015	2,750
Amortisation of intangible assets	143	144
Fees payable to the Company's auditors for the audit of the financial statements	69	67
Fees payable to the Company's auditors for other services:		
other services relating to tax - compliance and advice	14	20
other services	4	4
Research and development	1,788	1,733
Foreign exchange losses / (gains)	642	(108)
Rentals under operating leases:		
hire of plant and machinery	-	-
other operating leases	830	850
Loss on disposal of tangible assets	3	3
Pension curtailment gain - exceptional item (note 21)	(4,652)	-

8 Operating lease commitments

The commitments at 31 December under non-cancellable operating leases are:

	2014		2013	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Leases expiring:				
within one year	-	78	-	61
between one and five years	86	352	86	472
after five years	81	-	81	-
	167	430	167	533

9 Dividends

	2014	2013
	£'000	£'000
Authorised and paid £27.71 per share (2013: £22.17)	5,000	4,000

Notes to the financial statements

for the year ended 31 December 2014

10 Tax on profit on ordinary activities

The tax charge based on the profit on ordinary activities before taxation is made up as follows:

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax:		
current tax on income for the year	2,255	1,796
adjustments in respect of prior years	-	(93)
Current tax charge for the year	2,255	1,703
Deferred tax: timing differences - origination and reversal	1,491	557
Deferred tax charge for the year	1,491	557
Tax on profit on ordinary activities	3,746	2,260

The current tax charge for the year is lower (2013: lower) than the applicable hybrid rate of corporation tax in the UK of 21.50% (2013: 23.25%). The hybrid rate is a result of a tax rate of 23% for Financial Year 2013 and 21% for Financial Year 2014.

A reconciliation of the current tax charge for the year is presented below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	17,691	10,809
Tax charge on profit on ordinary activities before taxation at a hybrid rate of 21.50% (2013: 23.25%)	3,804	2,513
Expenses not deductible for tax purposes	116	246
Depreciation more than / (less than) capital allowances	106	(28)
Movement in short-term timing differences	(1,521)	(410)
Adjustments in respect of prior years	-	(93)
Foreign tax credits	(92)	(519)
Other	(158)	(6)
Current tax charge for the year	2,255	1,703

Factors that may affect the future current tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to capital losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £57,511 (2013: £57,511). The asset would be recovered if the Company made sufficient gains in future periods to utilise the capital losses brought forward.

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, UK profits for this accounting year are taxed at an effective rate of 21.50%.

In addition to the change in the rate of corporation tax disclosed above, further changes to the UK corporation tax system were announced in the March 2013 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to further reduce the main rate of corporation tax from 21% to 20% from 1 April 2015 was included in the Finance Act 2013 and this was substantively enacted on 2 July 2013.

As a result of the change in the UK main rates of corporation tax, the relevant deferred tax balances have been remeasured.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had been applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £180k and increase the tax expense for the period by £180k.

Notes to the financial statements

for the year ended 31 December 2014

11 Intangible assets

	Distribution			
	Rights	Franchise	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2014	100	141	2,488	2,729
Disposal	(100)	-	-	(100)
At 31 December 2014	-	141	2,488	2,629
Accumulated amortisation				
At 1 January 2014	100	80	1,451	1,631
Disposal	(100)	-	-	(100)
Charge for the year	-	7	136	143
At 31 December 2014	-	87	1,587	1,674
Net book value				
At 31 December 2014	-	54	901	955
At 31 December 2013	-	61	1,037	1,098

12 Tangible assets

	Land and buildings Short leasehold	Plant equipment and vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2014	359	40,483	40,842
Additions	-	1,105	1,105
Disposals	-	(1,092)	(1,092)
At 31 December 2014	359	40,496	40,855
Accumulated depreciation			
At 1 January 2014	359	26,052	26,411
Charge for the year	-	3,015	3,015
Disposals	-	(1,063)	(1,063)
At 31 December 2014	359	28,004	28,363
Net book value			
At 31 December 2014	-	12,492	12,492
At 31 December 2013	-	14,431	14,431

Notes to the financial statements

for the year ended 31 December 2014

13 Investments

Shares in subsidiary undertakings

	£'000
Cost	
At 1 January 2014	7,046
Additional investment in subsidiary undertaking	8
At 31 December 2014	7,054
Provisions for impairment	
At 1 January 2014	(1,532)
Charge for the year	-
At 31 December 2014	(1,532)
Net book value	
At 31 December 2014	5,522
At 31 December 2013	5,514

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The principal trading subsidiaries at 31 December 2014 were:

Company	Country of incorporation	Class of shares	% of shares held	Activity
Altro GmbH	Germany	-	100	Distribution
Altro Nordic AB	Sweden	Ordinary	100	Distribution
Altro Scandess SA	Spain	Ordinary	100	Distribution
Altro Canada Inc	Canada	Common	100	Distribution
Altro USA Inc	USA	-	100	Distribution
Altro Middle East DMCC	UAE	-	100	Distribution

The Company has taken advantage of the provisions of the Companies Act 2006 s.400 not to prepare consolidated financial statements as the Company is a wholly owned subsidiary of The Altro Group plc, incorporated in Great Britain. The results, assets and liabilities of the Company's subsidiary undertakings are included in the consolidated financial statements of the Company's parent undertaking, The Altro Group plc.

Notes to the financial statements

for the year ended 31 December 2014

14 Stocks

	2014	2013
	£'000	£'000
Raw materials and consumables	4,547	4,355
Finished goods and goods for resale	7,179	7,432
	11,726	11,787

15 Debtors

	2014	2013
	£'000	£'000
Trade debtors	13,027	11,088
Amounts owed by group undertakings	1,886	878
Other debtors	510	515
Prepayments and accrued income	2,981	2,886
	18,404	15,367

Amounts owed by group undertakings are unsecured, and accrue interest at relevant agreed rates to the extent that such balances are overdue.

16 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	4,802	4,501
Corporation tax	1,006	711
Other taxation and social security	1,008	1,103
Other creditors	15	199
Accruals and deferred income	4,053	3,417
	10,884	9,931

Notes to the financial statements

for the year ended 31 December 2014

17 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Amounts owed to group undertakings	2,382	2,261
	2,382	2,261

Amounts owed to group undertakings are unsecured, accrue interest and are repayable according to the terms of the agreement between the parties.

18 Provisions for liabilities

	Deferred tax	Other	Total
	£'000	£'000	£'000
At 1 January 2014	320	200	520
Charged to profit and loss account for the year	121	165	286
Utilised in the year	-	(215)	(215)
Released in the year	(38)	-	(38)
At 31 December 2014	403	150	553

Other provisions represent estimated amounts in respect of dilapidations and reparations. These provisions are expected to be used over the next five years.

Deferred tax

	2014	2013
	£'000	£'000
Accelerated capital allowances	553	432
Short-term timing differences	(150)	(112)
Deferred tax provision	403	320

Deferred tax asset relating to Defined Benefit Pension Scheme deficit

	2014	2013
	£'000	£'000
At 1 January	3,138	2,249
Deferred tax charge to profit and loss account	(1,407)	(635)
Deferred tax credit to statement of total recognised gains and losses	475	1,524
Deferred tax asset at 31 December 2014	2,206	3,138

Notes to the financial statements

for the year ended 31 December 2014

19 Called up share capital

	2014	2013
	£'000	£'000
Authorised:		
200,000 ordinary shares of £1 each (2013: 200,000 ordinary shares of £1 each)	200	200
Called up allotted and fully paid:		
180,433 ordinary shares of £1 each (2013: 180,433 ordinary shares of £1 each)	180	180

20 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	46	24,092	24,138
Profit for the financial year	-	13,945	13,945
Actuarial loss on DB Pension Scheme, net of deferred tax	-	(1,902)	(1,902)
Equity dividend paid	-	(5,000)	(5,000)
Parent company capital contribution from share-based payment	-	540	540
At 31 December 2014	46	31,675	31,721

Notes to the financial statements

for the year ended 31 December 2014

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

The Group operates a funded DB Scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. A full actuarial valuation was carried out as at 30 April 2011; the results have been updated to 31 December 2014 by a qualified independent actuary and showed a deficit at that date of £11.0m gross of deferred tax, measured in accordance with FRS 17: Retirement Benefits.

The DB Scheme was closed to future accrual on 31 March 2014. All members became deferred and the link to final salary was broken. This resulted in a pension curtailment gain of £4.7m, which has been disclosed as an exceptional item due to its one-off nature.

As the DB Scheme is closed to future accrual, under the projected unit method, the current service cost, as a percentage of pensionable salaries, will increase as the deferred members of the Scheme approach retirement. Contributions by the Group to the DB Scheme for the year beginning 1 January 2015 are currently expected to be £1.8m of deficit reduction payments.

i) Net pension liability

The pension liability at 31 December was as follows:

	2014 £'000	2013 £'000
Fair value of DB Scheme assets	108,667	94,403
Present value of DB Scheme liabilities	(119,695)	(110,095)
Pension liability before tax	(11,028)	(15,692)
Related deferred tax asset	2,206	3,138
Net pension liability	(8,822)	(12,554)

The present value of unfunded DB Scheme liabilities is nil (2013: nil). The irrecoverable surplus in the DB Scheme is nil (2013: nil).

ii) Analysis of assets and expected rates of return

The assets in the DB Scheme and the expected rates of return at 31 December were:

	2014			2013		
	Expected rate of return	% of overall DB Scheme assets	£'000	Expected rate of return	% of overall DB Scheme assets	£'000
	%			%		
Equities	7.1	28.1	30,550	7.7	31.0	29,232
LDI funds and cash	2.4	36.2	39,380	3.6	34.5	32,580
Diversified Growth Funds	7.1	35.7	38,737	7.7	34.5	32,591
Fair value of DB Scheme assets		100.0	108,667		100.0	94,403

The Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by the Company.

Notes to the financial statements

for the year ended 31 December 2014

21 Retirement benefits (continued)

iii) Financial and demographic assumptions

The principal financial assumptions used by the actuary at the balance sheet date were:

	2014	2013
	%	%
Rate of increase in salaries	n/a	4.5
Rate of increase in pensions in payment (post April 1997)	3.6	3.8
Discount rate	3.7	4.5
Inflation assumption (RPI)	3.1	3.5

The assumed life expectancies on retirement at age 65 were:

	2014	2013
	years	years
Retiring today		
males	22.5	22.0
females	24.5	25.2
Retiring in 20 years' time		
males	24.3	23.4
females	26.3	26.7

The assumptions used in determining the overall expected return of the Scheme have been set with reference to yields available on government bonds and appropriate risk margins.

iv) Changes in fair value of DB Scheme assets

	2014	2013
	£'000	£'000
Fair value of DB Scheme assets at 1 January	94,403	88,216
Expected return on DB Scheme assets	5,609	4,700
Actuarial gain	9,968	695
Contributions by employers	2,068	3,226
Contributions by DB Scheme members	198	636
Benefits paid	(3,579)	(3,070)
Fair value of DB Scheme assets at 31 December	108,667	94,403

The expected return on DB Scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on DB Scheme assets in the year was £15.6m (2013: £5.4m).

Notes to the financial statements

for the year ended 31 December 2014

21 Retirement benefits (continued)

v) Changes in present value of DB Scheme liabilities

	2014 £'000	2013 £'000
Present value of DB Scheme liabilities at 1 January	110,095	97,995
Current service cost	401	1,728
Interest cost	4,887	4,492
Contributions by DB Scheme members	198	636
Curtailment gain	(4,652)	-
Actuarial loss	12,345	8,314
Benefits paid	(3,579)	(3,070)
Present value of DB Scheme liabilities at 31 December	119,695	110,095

vi) Analysis of amounts recognised in the profit and loss account

	2014 £'000	2013 £'000
Current service cost	401	1,728
Curtailment gain	(4,652)	-
Total operating (credit) / charge	(4,251)	1,728
Expected return on DB Scheme assets	(5,609)	(4,700)
Interest on DB Scheme liabilities	4,887	4,492
Total finance income (note 6)	(722)	(208)

vii) Cumulative actuarial gains and losses recognised in equity

	2014 £'000	2013 £'000
Cumulative actuarial loss at 1 January	(32,429)	(24,810)
Actuarial loss recognised in the year	(2,377)	(7,619)
Cumulative actuarial loss at 31 December	(34,806)	(32,429)

Notes to the financial statements

for the year ended 31 December 2014

21 Retirement benefits (continued)

viii) History of DB Scheme

Assets and liabilities

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Fair value of DB Scheme assets	108,667	94,403	88,216	80,808	74,025
Present value of DB Scheme liabilities	(119,695)	(110,095)	(97,995)	(91,298)	(81,329)
Pension liability before tax	(11,028)	(15,692)	(9,779)	(10,490)	(7,304)

Actuarial gains and losses

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Total actuarial loss recognised	(2,377)	(7,619)	(462)	(4,675)	(1,697)

Experience adjustments

	2014	2013	2012	2011	2010
Experience adjustments to Scheme assets					
amount (£'000)	9,968	695	1,797	580	2,588
% of DB Scheme assets	9.2	0.7	2.0	0.7	3.5
Experience adjustments to Scheme liabilities					
amount (£'000)	(3,340)	46	(210)	(3,739)	-
% of DB Scheme liabilities	(2.8)	0.0	(0.2)	(4.1)	-

(b) Defined Contribution Pension Schemes (DC Schemes)

The Company makes contributions to a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Company in respect of these Schemes were £936,082 (2013: £384,919). There were no accrued contributions at the year end (2013: nil). Contributions of £2,092,642 were prepaid at the year end (2013: £2,278,655).

Notes to the financial statements

for the year ended 31 December 2014

22 Share-based payment

During the year ended 31 December 2014, the Group operated three share-based payment arrangements, as follows:

The Altro Group plc 2007 United Kingdom Approved Share Option Scheme (Approved Scheme)

The Approved Scheme was introduced in 2007. Under the Approved Scheme the board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are generally reserved for employees at senior and director level. There are eight eligible participants at the balance sheet date. As appropriate, the Company has made annual grants since the inception of the Approved Scheme. Options granted under the Approved Scheme will become exercisable on the third anniversary of the date of grant and exercise is conditional on there having been real growth in the earnings per share of the Group in any three years between the date the option was granted and the date of exercise. Real growth means an increase above the General Index of Retail Prices of not less than 2% and earnings per share are as shown in the Group's audited financial statements. Exercise of an option is subject to continued employment and can be satisfied in either cash or equity.

The Altro Group plc Phantom Share Option Scheme 2005 (Phantom Scheme)

The Phantom Scheme was introduced in 2005 and the board can grant options over notional shares in the Company to employees of the Group. The contractual life of an option is seven years and options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. Awards under the Phantom Scheme are generally reserved for employees at senior and director level. There are seven eligible participants at the balance sheet date. As appropriate, the Company has made annual grants since 2006. Options granted will become exercisable on the third anniversary of the date of grant. There are no performance conditions attached to the exercise of an option under the Phantom Scheme. An option is usually satisfied in cash although the board does have an absolute discretion to satisfy payment in whole or in part by the issue of equity in the Company.

The Altro Group plc Share Incentive Plan (SIP)

The SIP was introduced in 2003 and the board can award Free Shares in the Company to UK-based employees of Altro Limited. Under current legislation Free Shares must be kept in trust for a minimum of three years and for five years to take advantage of full tax benefits. There is an upper statutory limit of £3,600 worth of shares per tax year. Awards are granted with a fixed price equal to the market price of the shares at the date of Award. Awards under the SIP are reserved for employees who have been in continuous employment for a period of six months prior to the Award eligibility date. The eligibility date is set one month prior to the Award date. Recipients of a grant made under either the Approved Scheme or Phantom Scheme do not participate in the SIP. There are 464 eligible employees at the balance sheet date. The Company has made annual awards since 2003 and there are no performance conditions attached to an Award. An Award is satisfied by the issue of equity shares. The exercise price is nil and dividends are paid as they fall due.

The charge in respect of share-based payment transactions included in the Company's profit and loss account for the year is as follows:

	2014	2013
	£'000	£'000
Expense arising from share-based payment arrangements	575	321

Notes to the financial statements

for the year ended 31 December 2014

22 Share-based payment (continued)

A reconciliation of option and SIP movements over the year to 31 December 2014 is shown below. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

	2014		2013	
	Number of	Weighted average exercise price pence	Number of	Weighted average exercise price pence
	options		options	
Outstanding at 1 January	813,693	436	754,865	409
Granted during the year	163,130	498	188,859	521
Exercised during the year	(99,728)	408	(122,017)	324
Cancelled during the year	(85,989)	501	(8,014)	515
Outstanding at 31 December	791,106	445	813,693	436
Exercisable at 31 December	239,600	418	249,187	376

During the year four directors exercised share options (2013: one).

The weighted average fair value of the share options granted during the year was calculated using the Black-Scholes option valuation model, with the following assumptions and inputs:

	2014	2013
Risk-free interest rate	1.0%	1.6%
Expected volatility	40%	50%
Expected option life	4 years	4 years
Expected dividend yield	2.5%	3.0%

Notes to the financial statements

for the year ended 31 December 2014

22 Share-based payment (continued)

The expiry dates and exercise prices of The Altro Group plc share options outstanding at 31 December are as follows:

	Settlement	Number of options		Exercise price	
Share option schemes	method	2014	2013	pence	Exercisable between
Approved	Equity	24,740	27,078	485	03.04.2011 and 03.04.2015
		7,425	10,123	404	05.03.2012 and 05.03.2019
		11,650	17,475	515	04.04.2014 and 04.04.2021
		1,633	1,633	475	11.04.2015 and 11.04.2022
Total Approved		45,448	56,309		
Phantom	Cash	-	3,961	485	18.04.2010 and 18.04.2014
		-	7,281	485	03.04.2011 and 03.04.2015
		52,662	85,949	404	05.03.2012 and 05.03.2016
		79,523	114,795	316	15.07.2013 and 15.07.2017
		63,600	95,879	515	04.04.2014 and 04.04.2018
		100,223	125,569	475	11.04.2015 and 11.04.2019
		96,157	121,516	521	11.04.2016 and 11.04.2020
		105,689	-	467	11.04.2017 and 11.04.2021
Total Phantom		497,854	554,950		
Share Incentive Plan	Equity	247,804	202,434		
Total Share Incentive Plan		247,804	202,434		
Total share options outstanding		791,106	813,693		

23 Capital commitments

	2014	2013
	£'000	£'000
Contracted but not provided for	525	528

24 Related party transactions

The Company has taken advantage of the exemption available under FRS 8: Related Party Transactions and has not disclosed transactions with other Group companies. There are no other related party transactions requiring disclosure.

Notes to the financial statements

for the year ended 31 December 2014

25 Ultimate parent company and controlling party

The immediate and ultimate parent company and controlling party is The Altro Group plc, for which Group financial statements are prepared. The Company is incorporated in Great Britain and registered in England and Wales. Copies of the Group financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ. For the year ended 31 December 2014, the largest and smallest groups in which the results of the Company are consolidated is that headed by The Altro Group plc.